NOHFC Business Plan

2016/17 through 2018/19

December 2015

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1. NOHFC'S MANDATE

The Northern Ontario Heritage Fund Corporation (NOHFC) is an operational service agency established under the enabling legislation of the *Northern Ontario Heritage Fund Act*. The NOHFC has an appointed Board of Directors, chaired by the Minister of Northern Development and Mines. NOHFC's objectives are set out in the *Northern Ontario Heritage Fund Act* as follows:

(a) to advise and make recommendations to the Lieutenant Governor in Council on any matter relating to the growth and diversification of the economy of Northern Ontario;
(b) to promote and stimulate economic initiatives in Northern Ontario; and
(c) to commission studies and enter into contracts in connection with the objects set out in clauses (a) and (b) above.

In August 2013, government approved the mandate of the Northern Ontario Heritage Fund Corporation (NOHFC) be refocused to support the Northern Growth Plan and the government's key priorities of prosperity for people and strong communities.

Current program themes are:

- Strategic economic development initiatives that support the growth and sustainability of communities, businesses and industry – Northern Business Opportunity Program
- Innovation and productivity to support research and development, commercialization, innovation and productivity initiatives - Innovation Program
- Community strategic economic infrastructure – Strategic Infrastructure Program
- Economic development capacity enhancement - Northern Community Capacity-Building Program
- Attraction and retention of talent – Northern Ontario Internship Program

2. STRATEGIC DIRECTION

The NOHFC's strategic plan was developed in consultation with the NOHFC Board of Directors, the staff of NOHFC and the Ministry of Northern Development and Mines (MNDM). Reviewed annually by the NOHFC Board, the plan sets out the strategic framework of the NOHFC including its Vision, Mission, Guiding Principles and five Strategic Priority areas for the next three to five years.

2.1 Vision

NOHFC will be a catalyst for key strategic investments to stimulate economic development and diversification in Northern Ontario.

2.2 Mission

To partner with communities, businesses, entrepreneurs and youth across Northern Ontario to create jobs and strengthen the economy.

2.3 Guiding Principles

Alignment with Key Initiatives – The Northern Growth Plan will provide a coordinated, long-term, and comprehensive approach to support Northern Ontario as a globally competitive region. NOHFC priorities will support the key elements of the Northern Growth Plan.

Recognition of Northern Ontario's Unique Circumstances – The programs and initiatives of NOHFC will continue to be an important means of recognizing the unique requirements of Northern Ontario in support of a strong Ontario. The NOHFC will continue to build and enhance its current programs and services with this in mind.

Adaptability – The strategic planning process is an ongoing process that will provide the NOHFC with a management tool for adapting to change in the future.

Reflective, Flexible, and Forward-Thinking – It is the intent that the NOHFC Board of Directors will review the strategic plan, at minimum, on an annual basis.

Inclusiveness - NOHFC will continue to develop and deliver its programs and initiatives in a manner that recognizes the needs of the North's diverse communities including, but not limited to, First Nations, Métis, Inuit, and the North's other demographic groups.

2.4 Strategic Priorities

Innovation, Research and Development, and Commercialization – Focus on innovation, and research and development initiatives that lead to the potential commercialization of ideas, products, and services in emerging and strategic sectors in Northern Ontario that are forward thinking, sustainable and build a foundation for an entrepreneurial economy.

Creativity, Productivity and Entrepreneurial Development – Support an environment that promotes creativity, productivity and entrepreneurial development.

Partnerships and Collaboration – Maximize opportunities to leverage NOHFC funding through partnerships and collaboration to ensure the success of projects and sustainable economic outcomes.

Organization Development and Renewal – Engage in continuous improvement and human resource development to improve the efficiency, effectiveness, access and delivery of NOHFC programs as well as improve performance measurement.

Awareness and Recognition – Develop effective marketing, communication, and outreach tools that increase awareness and recognition of NOHFC and its programs.

3. ENVIRONMENTAL SCAN

3.1 Northern Ontario Context

Northern Ontario is a key part of one of the world's leading economies. It has large areas of wealth and prosperity. Its economy is diversifying and becoming less reliant on traditional resource industries. Its people are entrepreneurial, skilled and knowledgeable. Its businesses and entrepreneurs are innovative and ready for new challenges. The process of creating a new, globally competitive region is already well underway. (Source: Northern Growth Plan for Northern Ontario, 2011).

3.2 Northern Ontario Overview

The Ministry of Finance has projected that Northern Ontario will see a slight increase in population over the next fifteen years, after which the population will start to decrease due to an aging population and continuous out-migration. Currently, Northern Ontario represents 5.9% of Ontario's total population. By 2041, it may only represent 4.3% as southern Ontario is expected to grow by 4.2 million during that time period.

Since 1986, the population of Ontario has gradually increased from approximately 9.4 million to over 13.6 million in 2014. Northern Ontario's population peaked at approximately 859,000 in 1993. However, by 2014 the population was estimated at 802,371. Between 2010 and 2014, the population of Northern Ontario decreased by 0.8%. (Source: Statistics Canada, Annual Demographic Statistics).

Many northern communities remain reliant on primary industry sectors such as mining and forestry. These sectors accounted for close to 5.0% of the North's total employment in 2014 (down from 5.8% in 2013), compared to only 0.5% for the Province. Northern Ontario also has more reliance on public sector employment (including public administration, education and health care sectors), accounting for 31.9% of the North's total employment in 2014 (down from 30.8% in 2013), compared to 24.1% for the Province.

3.3 Current Economy

Ontario's economy continues to grow at a moderate pace in a challenging global economic environment. Stronger growth in the United States, Ontario's largest trading partner, and the decline in the value of the Canadian dollar will help boost Ontario exports and encourage stronger business investment. Ontario continues to take measures to strengthen the economy and support jobs by strategically investing in globally competitive sectors.

Northern Ontario is not immune to issues that are the result of the last recession. Northern Ontario's economy declined at more than twice the pace of Ontario's economy during this period. Consequently, northern businesses may still encounter difficulty accessing credit from traditional lending institutions. The NOHFC remains a critical link/funding agency in mitigating the associated risk of these economic conditions.

Ontario's economy expanded modestly in 2014 with a real GDP growth of 2.2%, made by solid gains in consumer spending and net trade. Continued, steady growth is expected for Ontario's economy, with GDP anticipated to increase by 0.5% for 2015. Over the past decade, Northern Ontario has accounted for an average of 6.1% of Ontario's GDP. Private sector economists expect Ontario real GDP growth to average 2.0% in 2015, 2.4% in 2016 and 2.2% in 2017 and 2018. (Source: Ministry of Finance)

3.4 Future Economy

While Northern Ontario's primary industries, forestry and mining, continue to be the foundation of the northern economy, the Northern Growth Plan identified eleven existing and emerging priority economic strategic sectors that can offer distinct competitive advantages in Northern Ontario.

- Advanced manufacturing
- Agriculture, aquaculture and food processing
- Arts, culture and creative industries
- Digital economy
- Forestry and value-added forestry-related industries
- Health sciences
- Minerals sector and mining supply and services
- Renewable energy and services
- Tourism
- Transportation, aviation and aerospace
- Water technologies and services

In addition to supporting growth opportunities in these industries, added focus on innovation and research and development will drive the transformation of Northern Ontario's traditional mining and forestry industries and open new opportunities. The Ontario North Economic Development Corporation (ONEDC) is a partnership between the five largest cities in the North and is also a strategic partner with MNDM. ONEDC is promoting certain sectors which are emerging out of certain communities, for example, Life Sciences in Thunder Bay, Digital Gaming in Sault Ste. Marie, and Aerospace in North Bay.

Ring of Fire

Ontario's far north is home to one of the most exciting mineral exploration opportunities in Canada in a region that is being referred to as the Ring of Fire. With mineral potential believed to be worth $60 billion and one of the largest known chromite deposits in the world, the Ring of Fire presents a multi-generational opportunity with potential to be one of the most significant mineral developments in Ontario in more than a century. The Ring of Fire area, rich in chromite, nickel, gold and other deposits, will create enormous business and growth opportunities for the province's mining and supporting industries.

These developments would be a significant economic driver for all of Northern Ontario with specific impact on First Nations in the area, infrastructure requirements, transportation needs, job creation and value added manufacturing. The proposed nickel mine development is currently advancing through its environmental assessment in the Ring of Fire and Noront Resources are hoping to be in the production phase by 2018.

This would provide opportunity for construction jobs over the near term as well as longer term direct and indirect jobs once the mine is fully operational. Over the past year, significant progress has been made. The current government has worked hard to establish the ROF Infrastructure Development Corporation; made a $1 billion commitment to develop transportation infrastructure in the region and reached a historic Regional Framework Agreement with the Matawa-member First Nations that lays the groundwork for future discussions.

Given the early stages of development it is not known what, if any, impact the Ring of Fire development will have on the NOHFC. A number of municipalities and First Nations in the ROF area have, however, successfully applied to NOHFC for funding to support their capacity building efforts and work related to exploring infrastructure and economic development opportunities to be ready for Ring of Fire and other resource opportunities in the area.

Mines and Minerals Sector

Northern Ontario's minerals sector and mining supply and services sector has become a globally recognized leader in an array mining and mineral development technologies, ranging from mine development, engineering and consulting services, and the provision of mining supply and services. The sector has developed components of mining cluster, but there are further opportunities to coordinate and harness this ecosystem into a cohesive community that collaborates on achieving advancements in productivity, innovation, and to expand export opportunities.

The mining supply and services sector is anticipated to continue to grow with the opening of new mines and development at the Ring of Fire.

Metal prices are a significant determinant in the amount of mineral exploration activity in Ontario. Slower global economic growth has weakened demand and contributed to lower metal prices. Both precious and base metal prices are down this year and exploration spending is down along with it. Exploration and deposit appraisal expenditures decreased from $562 million in 2013 to $507 million in 2014. Spending intentions for 2015 show a possible further decrease to $357 million. However, Ontario is currently the leader of all Canadian provinces and territories for exploration and deposit appraisal expenditures in 2014. Long term metal prices improve which will help the industry recover from the current slump.

The value of mineral production reached a record high of $11.0 billion in 2014 and should remain close to that level as increased gold production should offset lower prices and base metal production is likely to remain stable.

Investment in Ontario mines, including new construction, new equipment and mine development, reached record levels in 2012 at $3.1 billion. Investment declined to $1.3 billion in 2014; however, this still represents a significant investment by historical standards. Early estimates for mining investment in 2015 indicate an increase of 39% to $1.8 billion.

Exploration spending has declined since the record level of $1 billion in 2011 but those record levels of exploration spending created a pipeline of projects. There are currently three mine construction projects underway in Northeastern Ontario and three in Northwestern Ontario

Electricity costs are higher for mines in Northern Ontario than in neighbouring provinces and the Northern Industrial Electricity Rate (NIER) Program provides electricity price rebates for large northern industrial users including eight mining companies that reduce their electricity cost by about 25%. The program was made permanent going forward from the current program which expires in the spring of 2016.

Forestry

In 2012, the value of Ontario's forestry sector was almost $12.4 billion (including logging). Northern Ontario is home to five operating pulp and paper mills and 19 of the largest 25 operating mills.

Northern Ontario accounts for all of the province's annual market pulp production of approximately 1.2 million tonnes. Approximately 65 per cent of Ontario's newsprint production (370,000 tonnes) is in the north.

Total employment in the forest sector in Northern Ontario has decreased by over 17,900 from 26,400 in 2004 to 8,500 in 2014, a decrease of approximately 68%.

The total annual harvest for the forestry product sector in 2014/15 FY was approximately 13.1 million cubic meters (m^3), a decrease of 400,000 from 2013/14 FY.

Agriculture

Northern Ontario is home to a $192 million agriculture sector, with close to 2,600 farms (5 per cent of the provincial total), employing an estimated 6,200 people. Dairy and beef industries account for more than 50 per cent of total cash receipts and 35 per cent of farms in the region.

Eighty per cent of Ontario's farmed trout (cage aquaculture), with an estimated value of $16 million, is produced in Northern Ontario.

Bio Economy

Many companies internationally are researching, developing and implementing technologies and processes to use or manufacture products from renewable resources (e.g. agriculture, forestry, municipal waste, etc.). Given the extensive Crown forested land base in Northern Ontario, there are investment opportunities for these companies.

As of 2010, biofuels and biochemicals constituted a 3% share of the total global chemical and fuels market and this is expected to reach 17% by 2025. In addition to this growth, there will be growing demand for non-fuel products such as consumer goods and components, chemicals, pharmaceuticals, and food supplements and replacements.

3.5 Government Priorities

Lens: Government Priorities – A 10-Year Plan for the Economy

- The 2014 Ontario Budget laid out a 10-year plan for a strong Ontario, with more jobs, more opportunities and a more secure future. The plan will create jobs and grow the economy by investing in people, building modern infrastructure, and supporting a dynamic and innovative business climate. The 10-year plan for the economy will stimulate the economy; create jobs, and increase prosperity and fairness for all people in Ontario.
- The 10-year Economic Plan will:
  - Invest in People: *by developing the economy of tomorrow by investing in people today and giving Ontarians the support they need to get the right skills and the right jobs. This will give all Ontarians the opportunity to have good, high-paying jobs and contribute to the prosperity of the province.*
  - Build Modern Infrastructure: *by investing in infrastructure through Ontario's 10-year economic plan will continue to help stimulate the economy, create jobs, and increase prosperity and fairness to Ontarians.*
  - Create a Dynamic and Innovative Business Climate: *by continuing to compete for sector investments that create well-paying jobs, leading the way in Foreign Direct Investment and private-sector prosperity. In fostering a culture of innovation and entrepreneurship, while building partnerships abroad, Ontario businesses will thrive in the international market for years to come.*
  - A Fair Society: *by creating the conditions for all Ontarians, regardless of their economy status or background should have an equal opportunity to reach their full potential and contribute to the prosperity of the Province.*
- In August 2014, the Province launched the new Ontario Community Infrastructure Fund (OCIF), which is providing an investment of more than $130 billion in public infrastructure over the next ten years. The $100-million per year fund supports the revitalization and repairs of roads, bridges and other critical infrastructure in small, rural and northern communities. The Fund includes $50 million per year in application-based funding and another $50 million in formula-based funding.
- The Small Communities Fund (SCF) was also announced in August 2014. The SCF, which is matched by the Federal government as part of their Building Canada Fund, provides $272 million to support projects with populations less than 100,000.
- The budget also launched the new Jobs and Prosperity Fund, providing $2.5 billion over 10 years. The fund will help Ontario attract foreign investment in new and growing sectors and has three distinct streams; The New Economy Stream, The Strategic Partnerships Stream, and The Food and Beverage Growth Fund. The fund will concentrate investments in job-creating innovation, productivity and exports, creating partnerships with business and leveraging Ontario's key sectors.
- The Better Business Climate Act, introduced in 2014, will help create jobs and drive innovation by supporting the creation of cluster development plans. The government, in consultation with business, education, labour and non-profit

sectors will identify cluster opportunities that focus on regional competitive strengths. Clusters, which are concentrations of interconnected sectors, companies and institutions, would help to attract investment and talent in key sectors across Ontario, raising capacity for innovation, global competitiveness, and business attraction.

Lens: Growth Plan for Northern Ontario

The government, through the *Places to Grow Act*, ensures that growth plans reflect the needs, strengths and opportunities of the communities involved, and promotes growth that balances the needs of the economy with the environment.

Released in March 2011, the Growth Plan for Northern Ontario (Northern Growth Plan) is a strategic framework that guides decision-making and investment planning in Northern Ontario. The Northern Growth Plan has helped shape the NOHFC to be a critical economic driver in the north and continues to ensure northern voices are heard through its adaptive approach to recognizing the north's unique circumstances.

The policies of the GPNO were a key factor considered in the re-design and launch of the NOHFC programs in 2013. To help grow and diversify the economy, the NOHFC makes key investments in the areas of community infrastructure, innovation, research and development, and commercialization as well as business and industry, and Aboriginal economic development. With the launch of the new programs, the NOHFC continues to support projects that align with the eleven existing and emerging priority economic sectors identified in the Northern Growth Plan such as agriculture, aquaculture and food processing, minerals sector and mining supply and services, and tourism.

NOHFC investments have been critical to the northern economy to advance northern priorities. It remains critical for NOHFC to align its programs with the directions outlined in the Northern Growth Plan to support the creation and sustainability of jobs in the North and to capitalize on Northern Ontario's competitive advantages in the global economy.

A five-year review of the Northern Growth Plan is being conducted in 2016. The five-year review will look at progress to date and identify priorities and potential actions for the next five years. This work will be to inform future NOHFC funding decisions and the NOHFC's 2016/17 program review/development.

Over the next three years, the NOHFC will work with its partners including MNDM, other ministries, and the federal government to strategically invest in projects that create and sustain jobs and build a strong economy in the North. The NOHFC will focus on working with:

- The Ministry of Economic Development, Employment and Innovation (MEDEI) in its efforts to support a dynamic business climate to develop and leverage strategies for key-growth sectors, such as advanced manufacturing and automotive, agri-food, cleantech, financial services, information and communications technology, natural resources, tourism, media and culture. In

Northern Ontario, NOHFC will continue to work with the Federal Economic Development Initiative for Northern Ontario (FedNor).

- MNDM and the NOHFC will continue to work with MEDEI to drive productivity, foster innovation, and enhance the export competitiveness of the province's competitive clusters under the Partnerships for Jobs and Growth Act, including the minerals sector and mining supply and services cluster.
- MNDM in its renewal of the Mineral Development Strategy will identify specific actions to ensure the mineral sector is competitive and innovative, safe and environmentally responsible, better regulated, and provides for growth opportunities. It is anticipated that the NOHFC will explore opportunities to support the actions resulting from this strategy, as well as opportunities to further enhance the minerals sector and mining supply and services cluster.
- The Ontario Ministry of Agriculture, Food and Rural Affairs (OMAFRA) in its efforts to work with other ministries and partners to expand agriculture in the North is developing a strategy for development of the agriculture, aquaculture and food processing sector in Northern Ontario aligned with the Northern Growth Plan. Based on that strategy, the NOHFC will explore opportunities to continue to strategically invest in this area.
- The NOHFC will continue to work with partners and ministries to identify opportunities to support other existing and emerging priority sectors identified in the Northern Growth Plan.
- The Ministry of Transportation (MTO) in the development of the Northern Ontario Multimodal Transportation Strategy, a key initiative supporting the implementation of the Northern Growth Plan is expected to be finalized in 2017. The NOHFC will continue to help advance this strategy.
- NOHFC has been a critical partner in making significant investments in a number of strategic investment streams in the North including manufacturing, forestry, and mining. It is envisioned that the NOHFC will continue to invest in targeted priority sectors to help sustain and create jobs in Northern Ontario and grow the economy in Northern Ontario.
- It is expected that NOHFC will continue to examine opportunities to help other ministries achieve their mandate goals in Northern Ontario.
- NOHFC will continue to leverage other government funding programs such as the Jobs and Prosperity Fund, Ontario Small Communities Fund, and other priorities of the Ontario government.
- NOHFC significantly contributes to, and it is expected to continue, to support projects that foster innovation and entrepreneurship across the North.

Lens: Government Priorities – Improving Business Support Programs

The NOHFC continues to work with MNDM and partner ministries as part of this government's ongoing efforts to ensure business support programs are best meeting the government's desired outcomes.

This includes developing new measures to assess the impact of business support programs including the NOHFC on business and industry and in the local, regional and provincial economies. It is expected that increased attention will be placed on determining ways to measure the impact of government investment on productivity,

innovation, exports, alignment with sector strategies, return on investment, and net economic impact.

This work continues to respond to the recommendations of the Commission on the Reform of the Public Service which recommended, "reviews of direct business support programs... include support such as business services, procurement, and publicly funded research and development."

Lens: Government Priorities – Innovation

Government-wide, there is a renewed focus on the importance of innovation. There is an interministry effort to make focused investments and policies that will leverage Ontario's strengths in order to attract new investment, drive growth and enhance the competitiveness of the provincial economy. The province is focusing on investments in infrastructure, educations and skills training and, ways to make the Ontario economy more productive and innovative.

The government recognizes the need for Ontario to adapt to the structural change in the global economy after the most recent economic downturn: that Ontario and other first-world jurisdictions are not going to recapture the low-skill, low-wage economy of the past. This government is focused on transforming Ontario's economy to compete for high skilled, high paying jobs; an evolution into a knowledge based economy.

MNDM is working with ministry partners in ensuring that the north is a centrepiece of this evolution; the resources sector is very much recognized by the government as an area of provincial strength and will be part of the development of a provincial knowledge-based economy. Given that climate change is top of mind for government – innovative technologies and process that reduce greenhouse gases are even more important in order for the Province to achieve its GHG reduction targets.

The NOHFC will need to take this innovation focus into account and ensure that its programs and initiatives are well aligned to encourage the government's broader goals to focus investments and policies to attract new investment, enhance competitiveness and drive growth through innovation while transitioning to a low carbon economy.

Lens: Government Priorities - Creating a More Modern and Efficient Government

The 2015 Budget Document described the formal mandate of the Transfer Payment Administrative Modernization (TPAM) initiative:

- Through the TPAM initiative... the government will implement a common registration process for all transfer payment recipients that enables insight into and oversight of the full financial relationship between recipient organizations and the Province.
- A modern and efficient relationship between the government and service delivery partners, including hospitals, schools, municipalities and others that carry out work on behalf of the Province, will result in less time spent on administration and more time spent on delivering services to Ontarians

NOHFC will continue to work with government in achieving the objective of modernizing government services and program delivery to ensure greater efficiencies are achieved.

4. OVERVIEW OF NOHFC'S CURRENT PROGRAMS/ACTIVITIES

As outlined in the NOHFC's strategic plan, the Corporation's mission is to partner with communities, businesses, entrepreneurs across Northern Ontario to create jobs and strengthen the economy. In the fall of 2013, the NOHFC introduced five new programs aligned with the Northern Growth Plan and consistent with the Corporation's mission. These programs are as follows:

NOHFC Programs

Strategic Economic Infrastructure Program

Efficient and modern infrastructure is a cornerstone of building a strong northern economy. The assistance levered by this program can make the difference for a region or community to advance economic development opportunities and support investment through strategic economic infrastructure.

Northern Community Capacity Building Program

The Community Capacity-Building Program (CCBP) is intended to advance policies identified in the Northern Growth Plan. The objective of the CCBP is to assist northern communities in developing the capacity to promote, attract, and support economic growth in the existing and emerging priority economic sectors identified in the Northern Growth Plan.

Capacity-building will allow northern communities to respond to their economic opportunities and challenges according to their individual priorities, and to pursue regional collaboration to advance common goals in order to strengthen Northern Ontario's competitive advantages.

Northern Innovation Program

The Northern Innovation Program supports the vision of the Northern Growth Plan by supporting the development and commercialization of new technologies that will contribute to future prosperity in Northern Ontario and by fostering collaboration and partnering among the private sector, academic institutions and research institutes to undertake such projects in Northern Ontario.

Northern Business Opportunity Program

The Northern Business Opportunity Program supports the Northern Growth Plan vision for Northern Ontario in which companies scan the world for opportunities to create or retain jobs, attract investment and serve global markets.

The objectives of this program are:

- Create jobs in Northern Ontario
- Encourage the North's private sector to invest in their businesses
- Attract new investment opportunities to Northern Ontario

- Increase the number of businesses exporting their product or service to markets outside of Northern Ontario
- Grow the film and television industry in Northern Ontario

Northern Ontario Internship Program

The intent of this program is to strengthen Northern Ontario's competitive advantage and build economic development capacity by attracting and retaining graduates in the North. The program will provide internship opportunities for recent graduates interested in launching and building their careers in Northern Ontario.

Program Budgets

Based on historical trends and strategic priorities, the following notional allocation per program will be set as follows:

Theme	Program	Estimated Notional Program Budget
Implement strategic economic development initiatives that support the growth and sustainability of communities, businesses and industry in Northern Ontario	Northern Business Opportunity Program	$45M
Stimulate innovation and productivity to support R&D, commercialization, innovation and productivity initiatives	Innovation Program	$10M
Support community infrastructure	Strategic Infrastructure Program	$30M
Enhance economic development capacity in Northern Ontario	Northern Community Capacity-Building Program	$5M
Attract and retain talent to Northern Ontario	Northern Ontario Internship Program	$10M
	Total	$100M

The notional budgets will be continuously reviewed and set by the NOHFC Board of Directors through the annual strategic plan review and business planning sessions.

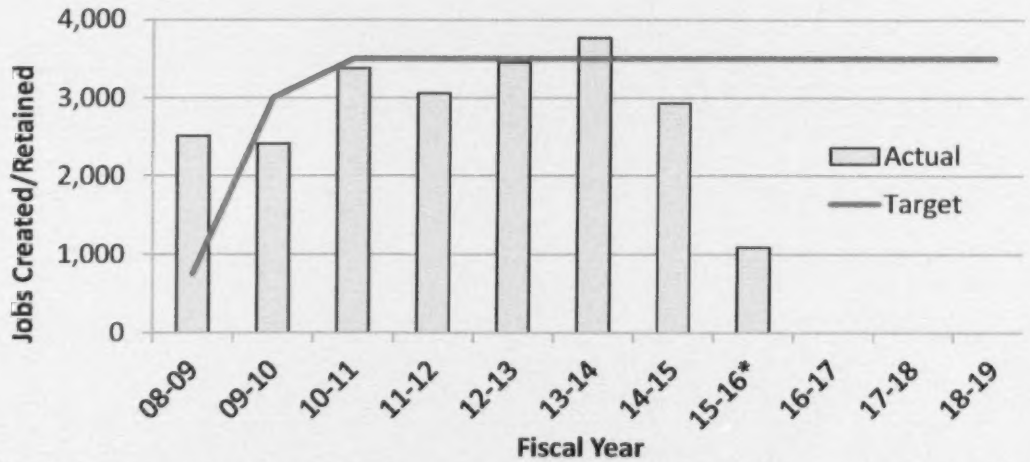
5. PERFORMANCE MEASURES – PROGRAMS

MNDM is working with the NOHFC to strengthen its use of performance metrics as part of evidence-based decision making and to better show the contribution of the NOHFC to the prosperity of northern communities and the northern economy. This work will continue with a new performance measurement framework developed in 2016.

5.1 Key External Performance Measures

Number of Full Time Jobs Being Created/Retained

The revised NOHFC funding programs will remain focused on job creation. As such, NOHFC will provide funding to projects in Northern Ontario that result in the creation and/or retention of jobs.



*Note that the results for 2015-16 are current as of Nov. 23, 2015 and do not include indirect construction jobs associated with public sector infrastructure projects which are calculated and reported at fiscal year-end.

NOHFC has worked with the Ministry of Finance to develop a methodology for counting jobs created through NOHFC infrastructure investments with the use of Statistics Canada multipliers.

NOHFC job creation targets were increased in 2010-11 to ensure alignment with past performance and increases in annual provincial funding to the NOHFC.

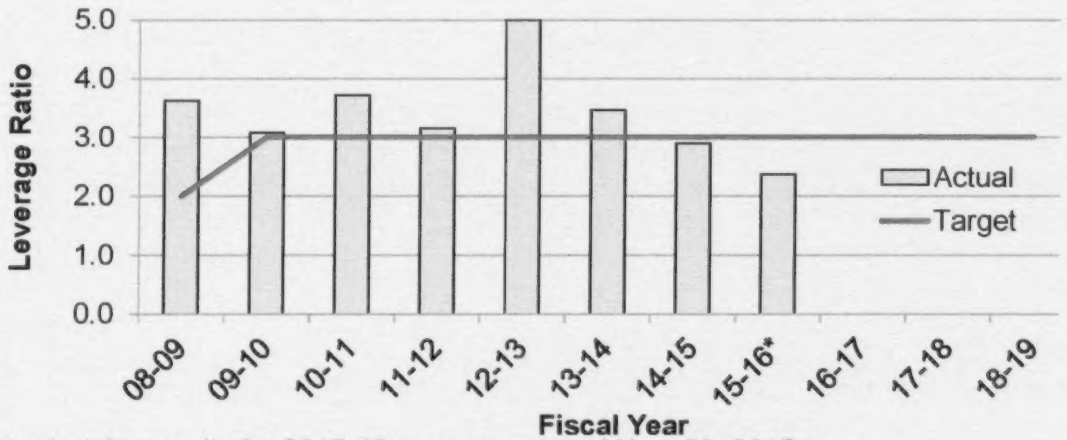
As of the end of fiscal 2014-15 the NOHFC has helped create or retain 2,930 jobs. NOHFC funding is expected to create or retain 3,500 full time jobs in 2015-16.

NOHFC job creation targets have increased from 750 per year in 2005 to 3,500 jobs per year to align with historical performance and increases to its annual budget. These increases as a proxy for future targets, assumed that NOHFC job creation performance was correlated with its annual budget which is an inaccurate correlation. A more

appropriate correlation is the in-year approvals however these cannot be predetermined. NOHFC job creation performance is reliant upon applicants bringing forward project proposals that create jobs. NOHFC is reliant upon these applicants bringing forward an adequate number of eligible projects with sufficient new job creation to meet its target which may or may not happen in any given year.

NOHFC Investment Dollars Leveraged From Other Partners

Funding provided by NOHFC to projects and/or initiatives in Northern Ontario will leverage external funding. This increase in investment through leverage of funding by NOHFC will provide opportunities to create jobs in a broad range of economic sectors in Northern Ontario.



*Note that the results for 2015-16 are current as of Nov. 23, 2015.

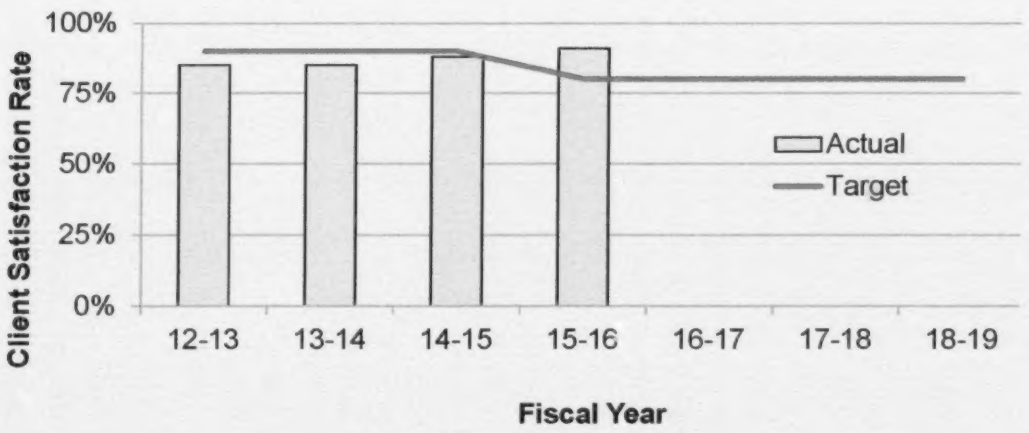
The target ratio of NOHFC investment dollars leveraged from other partners is 3:1. It should be noted that NOHFC programs generally only require a 1:1 ratio as funding is generally limited to 50% of eligible project costs.

5.2 Non-Key Performance Measures

Client Satisfaction

Client satisfaction with the NOHFC, its service delivery partners and its programs will be assessed on an annual basis and will measure the satisfaction of clients with the services they receive including staff effectiveness and timeliness of services delivered. Results will provide the NOHFC with feedback from clients to assist in its continuous improvement efforts.

The results for 2015-16 are based on survey responses from NOHFC clients that either submitted an application for funding or signed a legal agreement during the 2014-15 fiscal year. For 2015-16, NOHFC's client satisfaction rate of 91% refers to clients who agree (25%) or strongly agree (66%) with the statement "overall, I am satisfied with the quality of services provided by the NOHFC".



5.3 Program Specific Non-Key Performance Measures

The following non-key performance measures have been developed for each program as follows:

Strategic Economic Infrastructure Program

Objective:
To advance economic opportunities, support investment, and create jobs through strategic infrastructure.

Performance Measures:
1. Number of approved regional partnership projects
2. Number of regional partnerships that include a First Nation partner

Northern Community Capacity Building Program

Objective - Community Capacity Building Initiatives:
To promote the advancement and competitiveness of priority sectors by supporting northern communities during economic opportunities and challenges related to their capacity to promote, attract, and support economic growth.

Objective - Event Partnership:
To support events that promote economic development in Northern Ontario, including job creation and retention, investment attraction, tourism, and/or research and development / innovation conducive to productivity improvement in an eligible sector.

Performance Measures:
1. Number of regional partnership projects
2. Number of regional partnerships that include a First Nation partner
3. Number of major, new tourism events supported by the program
4. Number of attendees at supported events

Northern Business Opportunity Program

The Northern Business Opportunity Program supports companies in Northern Ontario to scan the world for opportunities to create or retain jobs, attract investment and serve global markets.

Objective - Business Expansion Projects:
To assist existing businesses in Ontario that intend to expand and or retain their operations within Northern Ontario to improve competitiveness, increase productivity, export, grow revenues and create jobs.

Objective - Small Business Start Ups:
To assist new businesses in Northern Ontario that intends to commence operations in the sectors identified in the Northern Growth Plan.

Objective - New Investment Projects:
To assist competitive businesses that currently do not have a presence in Ontario expand operations to Northern Ontario and create jobs.

Objective - Film and Television Projects:
To increase film and television industry jobs and investment in Northern Ontario; increase the number of high quality, original film and television productions produced in Northern Ontario; and to effect the establishment of infrastructure to grow and support the industry.

Performance Measures:
1. Number of companies exporting their products and services outside of Ontario (#)
2. Revenue growth (% increase in sales)
3. Number of businesses that expanded their operations into Northern Ontario (#)
4. Total spending in Northern Ontario resulting from film/TV project activity ($)
5. Number of Northern Ontario residents employed by NOHFC funded film/TV projects (#)

Northern Innovation Program

The Northern Innovation Program supports the development and commercialization of new technologies that will contribute to future prosperity in Northern Ontario and by fostering collaboration and partnering with the private sector, academic institutions and research institutions.

Objective - Opportunity Assessment Projects:
To assist Northern Ontario businesses with identifying opportunities for new technology development projects.

Objective - Industrial Research Chairs:
To establish research capacity at Northern Ontario universities, colleges and research institutes that will lead to greater research opportunities.

Objective - Applied Research & Technology Development Projects:

To assist Northern Ontario businesses to undertake applied research or pre-commercialization activities required to further develop their new technologies and move them to market.

Objective - Pilot Demonstration & Commercialization Projects:
To assist Northern Ontario businesses with reducing the technical and financial risks associated with scaling up and demonstrating their new and innovative technologies and to support them as they ramp up for commercial production.

Performance Measures:
1. Number of assessment projects that transition into development projects (#)
2. Number of patent applications (#) made under an NOHFC funded project

Northern Ontario Internship Program

Objective:
Strengthen Northern Ontario's competitive advantage, talent, and build economic development capacity by attracting and retaining graduates in the North.

Performance Measures:
1. Number of interns hired by employer after completion of the internship
2. Number of interns hired by other Northern Ontario companies after completion of the internship

6. KEY INITIATIVES FOR NOHFC IN 2016-17

6.1 Marketing Strategy Development and Market Research

- Work is underway on market research and is targeted to be complete by the end of fiscal 2015-16.
- The results of the market research will provide insight that can help create a marketing strategy and program review framework.
- The research objectives are to determine public awareness of the NOHFC's programs including non-profit organizations, municipalities and small and medium size businesses. The research will also determine how to target who is likely to apply and how and where the public and private proponents are accessing information or learning about the NOHFC's programs.
- Market research will provide a benchmark of public and private proponents' awareness of the programs and where the NOHFC will focus its target marketing and outreach efforts. This in turn, will help the NOHFC ensure that the right applicants are aware and can apply to the program that best suits their needs.
- It is intended this activity will lead to enhanced and focused marketing and promotion of NOHFC's programs.
- NOHFC will explore sector-specific "special initiatives" with MNDM and partner ministries to capture and support emerging opportunities.
- Planning is also underway to redesign the NOHFC website as well as developing new tools/tactics for NOHFC's program delivery partners for outreach activities and provide a client interface supporting online applications, claims processing, and client servicing.

6.2 Program Review

- Launched in October 2013, the current programs have a four-year sunset date. The programs will be reviewed after the third year to determine their effectiveness in achieving their stated objectives and continued relevance.
- The findings of the program review would be utilized to assess how NOHFC should move forward in consideration of the following options:
    - Continue delivery of programs
    - Modify programs to address identified deficiencies
    - Develop revised programs
- To ensure maximum returns on the investment of public funds, the NOHFC continuously reviews its program structure and performance to ensure investments are tailored to the needs of those sectors deemed to be of highest strategic importance.

6.3 Re-alignment of Services for Program Delivery

- NOHFC receives support from both an internal service provider, namely the Regional Economic Development Branch (REDB) within the Ministry of Northern Development and Mines, and an external third party service provider for program delivery, due diligence and project monitoring services.
- Obtaining the services of a third party service provider provides a number of advantages such as independent, unbiased evaluations/recommendations and expertise in areas not always available within the agency or ministry such as market analysis, credit reporting and loan default management.

- REDB staff are located in 26 communities throughout Northern Ontario. They provide advisory services, program delivery, assist businesses with export and business investment attraction and help public sector and not for profit organizations build capacity. Their strength lies in their knowledge of the communities they serve, involvement and geographic proximity to public and private proponents, and knowledge of government programs and services available including those of the NOHFC.
- NOHFC has identified a number of services, such as site visits and monitoring of private sector projects that will be transitioned over to REDB and included in a service level agreement with the Ministry. The re-alignment is intended to ensure appropriate project funding oversight, enhanced client outreach, relationship building opportunities and ongoing advisory support to clients for better project success. This realignment of services will be a phased in starting January 2016.
- NOHFC and REDB are currently developing the service level agreement outlining the services and performance expectations of the NOHFC to support program delivery and identification of associated service fees.
- The private sector lending programs or applications that require specific expertise will continue to be evaluated and monitored by an external service provider. This approach of aligning services with the particular strengths and expertise of each service provider will enhance NOHFC's ability to monitor and manage its ever increasing portfolio.

6.4 Implementation of Financial Management System

- NOHFC is implementing a new financial management system that will reduce NOHFC's reliance on the third party service provider and provide enhanced oversight capabilities. This modernization initiative will provide efficiencies, improve accountability, enable electronic disbursements and provide up to date information on the loan portfolio. This system implementation includes modernization of associated business processes and updates to NOHFC's project management system.
- Following the introduction of the new financial information system, further project management system enhancements and process enhancements will be reviewed due to the change in program delivery (noted above).

6.5 Transfer Payment Administrative Modernization Initiative

- The Transfer Payment Administrative Modernization (TPAM) is recommending the adoption of the Canadian Revenue Agency business number as the unique identifier for funding recipients across the OPS. The proposal that Grants Ontario (GO) be the common registration technology solution was also endorsed by committees of TPAM.
- The impacts of the TPAM recommendations will be reviewed by the NOHFC and will identify changes required to operations. A plan will be developed with our Land and Resources Cluster (LRC) partners by the first quarter of 2016-17 with implementation to follow.

6.6 Program Delivery Resources

NOHFC's programs will be delivered utilizing NOHFC's staff complement, MNDM's Regional Economic Development Branch, and third party due diligence service provider. Appropriate contracts and service agreements will be in place and monitored as required. NOHFC management will continuously assess the need for new resources and report to the Board and Ministry as required.

It should be noted that MNDM has approved new resources to the NOHFC in 2015-16, increasing this allocation by three FTE. See section 9.0 for details.
The NOHFC would continue to require services from MNDM, Ministry of Attorney General (MAG), Ministry of Government and Consumer Services (MGCS) and Lands and Resource Cluster (LRC) on a continual and uninterrupted basis in order to successfully carry on the Corporation's activities.

7. RESOURCES NEEDED TO MEET OBJECTIVES OF MANDATE AND STRATEGIC DIRECTION

The following table outlines the resources needed to continue to support the above noted objectives of the NOHFC.

Northern Ontario Heritage Fund Corporation
Schedule of Projected Administration Expenses

	2013/14 Fiscal Actual	2014/15 Fiscal Actual	2015/16 Fiscal FCST	2016/17 Fiscal Budget	2017/18 Fiscal Budget	2018/19 Fiscal Budget
Salaries and Wages	1,479,966	1,468,339	1,458,290	1,780,901	1,807,165	1,833,822
Employee benefits	207,947	216,896	203,776	314,781	284,346	288,612
Transportation & Communication	371,571	237,036	306,936	339,000	346,000	352,000
Services	3,973,640	4,681,418	6,506,255	6,552,079	6,780,205	6,515,644
Supplies & equipment	60,082	34,090	65,430	67,000	68,000	69,000
Amortization	3,721	3,721	3,721	3,721	3,721	1,552
Sub- Total	6,096,927	6,641,499	8,544,408	9,057,482	9,289,437	9,060,630
Financial Information System	21,711	12,550	-	-	-	-
MTO Transportation Study	72,122	-	627,175	641,129	597,696	-
Net Corporation Administration Costs	6,190,759	6,654,049	9,171,583	9,698,611	9,887,133	9,060,630

The following points should be noted with respect to the preceding financial information regarding NOHFC resources:

- Net Corporation Administration Costs reflect the MTO Transportation Study. The MTO Transportation Study was not completed as per the original schedule and costs carried are forward to the 2017-18 fiscal year.
- The Services component includes costs associated with third party and internal (MNDM Regional Economic Development Branch (REDB)) due diligence, LRC Business Solutions Services for ICT needs, MNDM Legal Services Branch assisting with legal requirements and MNDM Communications Services Branch addressing communication matters. The budget forecast reflects the current agreement for third party and internal due diligence services, which includes the addition of $2 million per year to reflect full cost recovery for MNDM services as well as for enhanced private sector program monitoring. The balance of the increases year over year are due to inflation increases and increased one time IT costs in 2017/18.
- Salaries and benefits have been projected to include a slight increase due to new positions and anticipated wage increases while other administrative costs will increase due to anticipated rates of inflation.

8. FINANCIAL BUDGET OVER THREE YEAR LIFE OF BUSINESS PLAN

The following table includes a forecast of NOHFC revenues and expenses projected from 2015/16 thru 2018/19.

	2013/14 (000's) (actual)	2014/15 (000's) (actual)	2015/16 (000's) (FCST)	2016/17 (000's) Projected	2017/18 (000's) Projected	2018/19 (000's) Projected
Revenue						
Province of Ontario Grant	100,000	100,000	100,000	100,000	100,000	100,000
Interest on cash and cash equivalents	2,502	2,770	2,306	2,355	2,414	2,486
Interest on loans receivable	2,873	1,727	1,923	2,068	2,216	2,348
Other	561	676	-	-	-	-
Total Revenue	105,936	105,173	104,228	104,423	104,630	104,835
Expenses						
Grants	69,751	77,250	80,000	81,081	80,660	80,920
Credit losses	11,627	25,904	10,000	8,823	9,453	10,020
Administration - see schedule	6,191	6,654	9,172	9,699	9,887	9,061
Total expenses	87,569	109,808	99,172	99,603	100,000	100,000
Excess Revenue over Expenses (Expenses over Revenues) Income Statement Format	18,367	(4,635)	5,056	4,820	4,630	4,835
Excess Revenue over Expenses (Expenses over Revenues) Recovery Format	**12,431**	**(9,808)**	**828**	**397**	**0**	**0**

The following assumptions should be noted with respect to the preceding financial information:

- NOHFC funding will remain at $100 million in the forecast period.
- Administrative costs are based on the approved budget for 2015-16 with adjustments for known variances and inflationary factors and additional internal service provider costs.

The following assumptions and information should be noted with respect to NOHFC's loan portfolio and its impact on projected revenues and expenses:

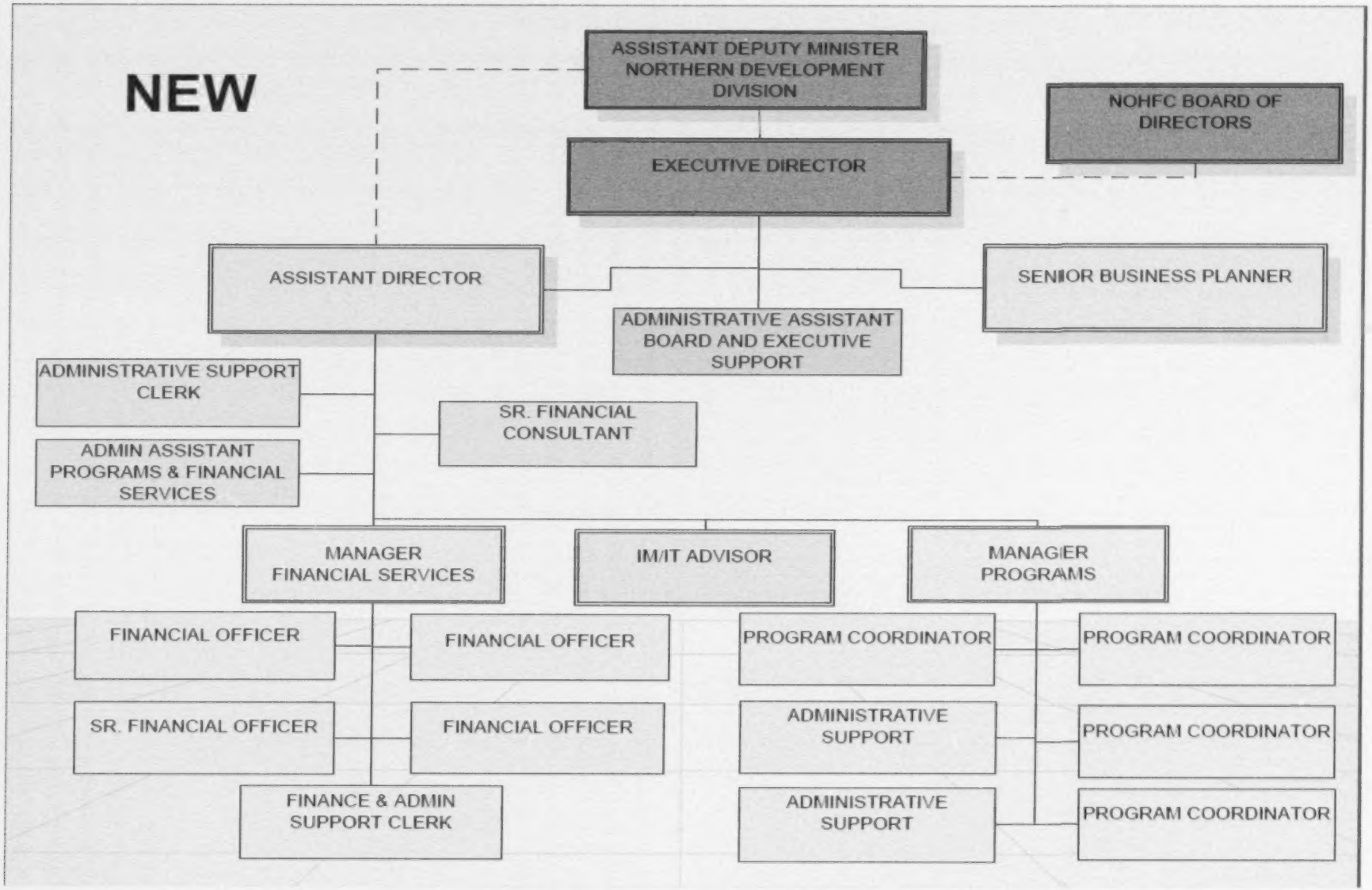
Selected Loan Information at September 30, 2015:	
Approved Loans	$ 154,254,612
Balance of Loans Outstanding (including disbursements, repayments and accrued interest)	$ 98,424,555
Allowance for Credit Losses	$ 40,380,899

- Loan principal payments will be approximately 10% annually of the opening balance of total loans outstanding.
- Interest on loans will average 2.75% to 5.00%.
- Interest on cash deposits will average 0.5% to 1.0%.
- The overall portfolio risk is rated high. Risk is mitigated through:
  - monthly monitoring of loan performance;
  - annual credit reviews;
  - NOHFC works with the client to ensure sustainability of operations;
  - use of documented collection policy; and,
  - progressive collection process and recovery plans.
- Loan programs require the engagement and subsequent cost of a due diligence service provider.

9. SUMMARY OF STAFF NUMBERS; IMPACT OF BUSINESS PLAN ON HUMAN RESOURCES

In order to achieve strategic priorities and the NOHFC's mandate and objectives outlined in the business plan, MNDM has strengthened the NOHFC to meet increasing file load and stringent government agency requirements in a complex economic and fiscal climate. The new Full Time Equivalent (FTE) complement for the NOHFC has been increased by three new FTEs to a total of twenty-one staff. The new structure will significantly strengthen the operational delivery of programs and will fill functional gaps in IM&IT and business planning as well as address the need for increased capacity to meet requirements of Agency and Appointments Directive and other OPS directives.

The outline below illustrates the new positions and the proposed reporting structure. The NOHFC is currently undertaking an organizational review with a goal to realign existing positions with new positions to ensure the NOHFC is positioned to achieve improved capacity as well as gain efficiencies to better effect outcomes.


NEW
ASSISTANT DEPUTY MINISTER NORTHERN DEVELOPMENT DIVISION
NOHFC BOARD OF DIRECTORS
EXECUTIVE DIRECTOR
ASSISTANT DIRECTOR
SENIOR BUSINESS PLANNER
ADMINISTRATIVE ASSISTANT BOARD AND EXECUTIVE SUPPORT
ADMINISTRATIVE SUPPORT CLERK
SR. FINANCIAL CONSULTANT
ADMIN ASSISTANT PROGRAMS & FINANCIAL SERVICES
MANAGER FINANCIAL SERVICES
IM/IT ADVISOR
MANAGER PROGRAMS
FINANCIAL OFFICER
FINANCIAL OFFICER
PROGRAM COORDINATOR
PROGRAM COORDINATOR
SR. FINANCIAL OFFICER
FINANCIAL OFFICER
ADMINISTRATIVE SUPPORT
PROGRAM COORDINATOR
FINANCE & ADMIN SUPPORT CLERK
ADMINISTRATIVE SUPPORT
PROGRAM COORDINATOR

10. RISK ASSESSMENT AND MITIGATION STRATEGIES

Strategic/Policy/Performance Risks

Meeting Stakeholder Expectations
NOHFC may be at risk of not meeting expectations of the public, other governments, ministries or stakeholders in an effective, efficient and economical manner

Risk Rating	Likelihood:	Low
	Impact:	Medium
	Financial Impact:	Low-medium

Mitigation: Reduce

- NOHFC will monitor uptake of its revised program and seek approval for adjustments if /when necessary
- A target marketing exercise will inform marketing strategy development aimed to educate NOHFC's clients and attract applications from targeted clients.
- NOHFC, MNDM REDB and NOHFC's third party service provider will regularly discuss issues with clients and utilize this information when undertaking continuous improvement activities
- NOHFC will continue to undertake an annual client survey to identify any issues or concerns. The results of the survey will be utilized to develop remedial action plans.
- NOHFC utilizes informal information sources, program reviews and consultation efforts to ensure programs meet changing business needs and external factors. NOHFC and Ministry's ongoing communication with stakeholders assist in understanding their expectations and provides an opportunity to educate stakeholders to ensure their expectations are realistic.

Accountability / Governance

Alignment with MOU, Service Level Agreements, etc.
The NOHFC board does not have a service level agreement with ministry partners who provide services to the agency.

Risk Rating	Likelihood:	Low
	Impact:	Medium
	Financial Impact:	Low

Mitigation: Reduce

- Work with MNDM to develop and implement service level agreement(s) with key program delivery partners.
- MNDM and NOHFC must ensure proper processes and systems are in place to support Ministry employees.
- Processes and procedures are in place to ensure Transfer Payment Accountability Directive (TPAD) requirements are met.

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Compliance
NOHFC may be at risk due to breaches of codes of conduct, government directives, contracts or agreements, conflicts of interest or other inappropriate activity. Risk of reputational damage, financial loss, legal sanctions or other impacts caused by breach.

Risk Rating	Likelihood:	Low
	Impact:	High
	Financial Impact:	Medium

Mitigation: Reduce

- A Governance Committee has been established by the Board.
- NOHFC confirms compliance with OPS directives, policies and guidelines on an annual basis through compliance attestation.
- Ministry oversight is continuous and any possible detection of non-compliance can be swiftly acted upon.
- Managers and staff receive training on OPS policies, guidelines and directives.
- NOHFC and Ministry staff work on an on-going basis to ensure Board members are operating within their limitations.
- NOHFC is subject to a year end audit by the Auditor General of Ontario where travel claims are reviewed for compliance.
- Legal counsel provides ongoing advice.

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Organizational Capacity
NOHFC may be at risk of not having the capacity or flexibility to respond to new initiatives without negatively impacting the delivery of existing programs and services.

Risk Rating	Likelihood:	Medium
	Impact:	High
	Financial Impact:	Medium

Mitigation: Reduce

- MNDM has strengthened the NOHFC to meet increasing file load and stringent government agency requirements in a complex economic and fiscal climate by adding three new FTE and one additional FTE to Communications Branch for marketing support. The new structure will significantly strengthen the operational delivery of programs and will fills functional gaps in IM&IT and business planning as well as address the need for increased capacity to meet requirements of Agency and Appointments Directive.
- NOHFC receives support from both an internal service provider, and an external third party service provider for program delivery, due diligence and project monitoring services.
- This approach of aligning services with the particular strengths and expertise of each service provider will enhance NOHFC's ability to monitor and manage its ever increasing portfolio.
- Recruitment strategies and talent management programs within the Ministry and OPS to identify successors to key positions.

Third Party Due Diligence / Service Provider
NOHFC may be at risk of operational delays and client complaints when a new service provider is determined through the RFB process.

Risk Rating	Likelihood:	Medium
	Impact:	Medium
	Financial Impact:	Medium

Mitigation: Reduce

- NOHFC will rely on its Ministry partners REDB to ensure client needs are met
- Client satisfaction with the service provider will be measured as part of the client satisfaction survey.